



A Look at Public/Private Competition

Background

- **95 BRAC Decision**
 - **Close McClellan AFB**
 - **Realign Kelly AFB (Close Depot)**
 - **Realign depot maintenance workload**
- **Realignment Through**
 - **Movement to other Government depots**
 - **Core workload or combine with existing capability**
 - **Public/Private Competition**
 - **Determine source that provides best value in providing mission support**

Background (Cont'd)

Competition: What the statutes say...

- **Core logistics capability will be retained in house**
- **Can not contract out more than 40% of annual maintenance dollars (60/40 rule)**
- **Can not change maintenance work over \$3 million from public to private without Public/Private competition**
- **If move workload to private source must demonstrate lower cost**

Needed Procedures & Strategies to Fit

Refined Strategy

San Antonio:

- | | <u>Annual \$</u> | <u>Workers</u> |
|-----------------------------|------------------|----------------|
| ● Two part approach | | |
| – C-5 Business Area | \$155M | 1200 |
| – Engines* | \$240-700M | 1100-3000+ |
| ● Public/private decisions: | | |
| – C-5: Aug 97 | | |
| – Engines: Jan 98 | | |

Sacramento:

- | | <u>Annual \$</u> | <u>Workers</u> |
|---|------------------|----------------|
| ● Consolidated workload - single contract | \$220M | 2200+ |
| – A-10, KC 135 | | |
| – Hydraulics | | |
| – Instruments/Elec Accessories | | |
| – Software | | |
| ● Public/Private decision, Jan 98 | | |

* Dependent on 60/40 headroom

Public/Private Competition

Improving the Process

- **Began in Early 90's**
 - **AFMC held approximately 30 competitions**
 - **Discontinued in 94 amid allegations of “Unlevel Playing Field” -- Depots inability to forecast and collect costs**
- **Competitions determined best approach to placing non-core workload at closing depots -- Best Value**
- **Improved process required to ensure all relevant costs considered and to enhance fairness & equity**

Improving the Process (Cont'd)

- DoD and AF established new procedures (e.g.)
 - DCAA validation of depot cost systems
 - Source Selection Authority can have no management involvement with competing depots
 - Depot past performance addressed
 - Evaluation cost adjustments: Taxes, Cost of Capital, depreciation, etc.

Equal Treatment of Public & Private Offerors

Public/Private Competition

Executing the Process

- **Competing depots identified -- Can Team**
 - **C-5: WR-ALC**
 - **Engines: OC-ALC**
 - **Sacramento consolidated workload: OO-ALC**
- **Buyer/Seller relationships established**
- **Following source selection procedures**
- **Total Evaluated Cost a major evaluation consideration**
 - **“Dollarize” significant discriminators**

The Debate Continues

- **How large of a depot structure is needed?**
- **How to define core capability and accomplish it?**
- **How to best size depot structure?**
 - **By declaration (60/40)?**
 - **By optimal mix of Public and Private sources?**
 - **Elements of Air Force plan include**
 - **Retain public depot infrastructure at efficient levels -- core workload**
 - **Public/private competitions for non-core workload**
 - **Improve efficiency through facility elimination and industry partnering**

The Debate Continues

- **How to implement BRAC closure mandates**
 - **Depots versus COMPETITIONS versus privatization**
- **How to conduct fair Public/Private Competitions**
 - **Improvements made to enhance equity and fairness**
 - **Will continue working the process**